



PAN AFRICA CHRISTIAN UNIVERSITY

**END OF SEMESTER EXAMINATION FOR THE DEGREE OF
MAY-AUGUST 2022**

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CFN 304

COURSE TITLE: PORTFOLIO ANALYSIS

EXAM DATE:

QUESTION ONE (COMPULSORY) 10 MARKS

- a) Explain the Efficient Market Hypotheses. (2 Marks)
- b) Discuss the various forms of Efficient Market Hypotheses using suitable examples. (6 marks)
- c) Discuss tests involved in the Efficient Market Hypotheses. (2 marks)

QUESTION TWO 10 MARKS

- a) Explain the concept of efficient Frontier in CAPM. (5 marks)
- b) Discuss the components of capital market line. (5 marks)

QUESTION THREE**10 MARKS**

- a) Define the concept of Risk. (2 marks)
- b) Explain **four** different types of Risk using relevant examples. (8 marks)

QUESTION FOUR**10 MARKS**

- a) Distinguish between Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT) using suitable examples. (5 Marks)
- b) Using suitable illustrations, discuss **five** benefits of CAPM (5 Marks)

QUESTION FIVE**10 MARKS**

- a) Discuss **two** components used to value an option contract. Use relevant illustration on each component. (6 Marks)
- b) State **four** characteristics of warrants (4 Marks)

QUESTION SIX**10 MARKS**

- a) Explain how a subordinate debt works. (5marks)
- b) Discuss **two** reasons why companies issue convertibles. (5 marks)